



SENATE TAXATION

EXHIBIT NO.

DATE

BILL NO.

18

1.14.11

Na

## 2011 Legislative Session Information Request Form

Date of Request: 01/12/2011

Request Taker: Tax Monitors

**Requestor Information:**

Name/Title: Rep. Knudsen

Organization:

Phone:

Fax:

E-mail:

Request due date: \_\_\_\_\_

**Description of request (as detailed as possible):**

Question directed to Gene.

Compare centrally assessed rates between North Dakota and Montana.

---

**For internal use only**

Administrator Approval: \_\_\_\_\_ Date: \_\_\_\_\_

Request Log #: \_\_\_\_\_

☐ Staff Assigned: \_\_\_\_\_

☐ Request Denied – Reason: \_\_\_\_\_

Date Request Completed/Sent: \_\_\_\_\_

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

Filename and path of request:



**Dan Bucks**  
Director

# Montana Department of Revenue



**Brian Schweitzer**  
Governor

## Memorandum

To: Dan Bucks, Director

From: Steve Cleverdon, Tax Policy and Research

Date: January 14, 2011

Subject: Representative Knudsen Information Request

### North Dakota Pipeline Taxation Compared to Montana Pipeline Taxation

Oil and natural gas pipeline companies operating in North Dakota pay higher taxes than those operating in Montana. The effective property tax rate for oil and natural gas pipeline companies is nearly identical in the two states. North Dakota's rate is 4.93% and Montana's is 4.94%, however North Dakota levies a 5% sales and use tax on parts and components used for construction and maintenance of pipelines and Montana does not. Taking into consideration both property tax and sales tax, North Dakota has a higher tax rate.

For property tax purposes, oil or natural gas pipelines are centrally assessed by the North Dakota State Board of Equalization. In determining the value of pipelines the North Dakota State Board of Equalization and the tax commissioner take into consideration "the earning power of the property as shown by its gross earnings and net operating income, the market or actual value of its stocks and bonds, the value of its franchises, rights, and privileges granted under the laws of this state to do business in this state, and any other legally established evidences of value (57-06-14, N.D.C.C.)."

North Dakota applies a 10% tax rate to oil and natural gas pipelines. In 2009 North Dakota assessed \$349,295,480 in value for pipelines in the state. Applying the 10% tax rate, the state had \$34,929,548 of taxable value attributable to pipelines. In 2009 North Dakota levied \$17,233,350 in taxes on pipelines, which equates to an effective tax rate of 4.93%. In 2009 Montana centrally assessed \$293,703,187 in total pipeline value for the state. \$14,500,751 was levied in taxes, which amounts to an effective tax rate of 4.94%.

Components and parts bought and used in North Dakota for maintenance and construction of pipelines are subject to the North Dakota sales and use tax. The North Dakota sales and use tax rate is 5%. Montana has no sales tax, therefore parts and components bought and used in Montana to maintain and construct pipelines are not charged a sales tax.